

Prudence Island Water District

Minutes of meeting: August 4, 2007

Meeting was called to order at 1:00 p.m. Present were David Buffum, moderator; Patricia Richard, clerk; Robert Hanson, and Richard Brooks. Absent was Phillip Brooks.

Approval of minutes: Motion by Rick Brooks to approve the minutes of June 9, 2007, seconded by Robert Hanson, approved unanimously.

Administrative: Ms. Richard reported a bank balance of \$1089.50.

Technical: Richard Brooks reported having gone with Phil Brooks on the last well monitoring and that the water levels were down significantly, which was to be expected during a dry summer season. He asked if the clerk had received the data from the well and stream monitoring. Ms. Richard said she had not, and Mr. Brooks suggested that she contact Robert Marshall about it.

Other business: Discussion: Acquire the PIUC water system or dissolve the district? Mr. Buffum said that the district was at a crossroads in regard to acquisition of the PIUC. Running out of revenue. No financing mechanism for soft costs, as in legal fees. Estimated costs \$50,000.

Dave Homan asked how many properties in district. Ms. Richard aid

she estimated 581 lots. Mr. Brooks said that normal administrative costs were approximately \$7000 to meet mandates of district charter. Mr. Homan asked if district taxes would be a viable means of raising the money. Ms. Richard said that in the unlikely event of the district levying a tax, doing so was subject to specific state guidelines and would not happen overnight.

Mr. Homan asked why a tax levy was unlikely. Ms. Richard said that there was an underlying issue with taxes in that many district landowners would be taxed without having a reasonable expectation of service. She said that the current moratorium on connections precluded water service on demand, and that fire protection in the form of hydrants was not available, so many district landowners would be paying taxes without realizing any benefit. Mr. Homan said that he did not expect to ever receive water from the community water system although he was within the boundaries of the district. Ms. Richard said it was not a question of whether he expected to use the community water system, but whether he, as a district resident, had a right to water service. Mr. Homan said that once the district acquired the system, it would no longer be bound by PUC orders. Ms. Richard said that the charter only exempted the district from PUC control over fees and rates, not on operations. Mr. Homan asked if it was illegal to tax district residents who were not part of the community water system. Ms. Richard said that an ambiguity existed. Jan Northby said that originally, taxing authority was to be used as collateral on a loan and asked if that had been investigated.

Richard Homan asked if the district board had looked into the possibility of issuing bonds. Ms. Richard said that they had not.

David Homan asked what the time frame for the acquisition is, and that he had heard September as the closing date. Ms. Richard said that the particulars of the purchase agreement were not up for discussion, and that questions regarding those things should be directed to PIUC.

Mr. Capron asked if revenues from the water rates could be used to pay soft costs. Ms. Richard said that the money was to perform due diligence, and if due diligence uncovered something that made it unadvisable to acquire, there was then no revenue stream from which to pay those costs.

Richard Homan asked if 100% of the assets would be acquired. Mr. Buffum said that the particulars of the purchase agreement could not be discussed.

Dave Homan asked how important the completion of Narragansett Ave. remediation was to the consummation of the purchase. Mr. Buffum said that completion of the project is of paramount importance. Richard Owen said that he had heard that the town was planning some construction work in the area and that the excavation they were planning might facilitate the water company's completion

of the Narragansett line.

Richard Homan asked if, assuming financing could be found, did the district board really want to acquire the water system. Mr. Buffum said that the board believed that the most cost effective way for system upgrades to be done was for the water district to continue its work and acquire the system. An unidentified member of the public said that government funding of projects was much more expensive than private construction. Ms Richard said that compared to the private company, the water district was in a better position to finance large construction projects.

Mr. Northby asked if the district had met with Steve Levy from ASRWWA. Ms. Richard said that Mr. Levy had met with the board shortly after the first election and had told the board that a) there was no money for startup; b) no money for acquisition and c) embrace the idea of deficit spending. Mr. Northby asked if the PIWD was a member of ASRWWA. Ms. Richard said that the district could no longer afford to belong to water associations. Mr. Northby asked where the district got its information about funding. Ms Richard said that the district had dealt with the Dept of Administration Office of Municipal Affairs, USDA Office of Rural Development, EPA, the Rhode Island Foundation, and State Rep. Ray Gallison.

Richard Homan asked if only the water system customers could be taxed. Ms. Richard said that the charter makes no distinction between

a water system customer and a district resident. Ms. Richard said that the major obstacle to a tax levy was the moratorium, and that until the issue of groundwater availability was resolved, it would be difficult to defend lifting the moratorium to the PUC. Mr. Capron said that the Indian Spring appeared to be in good shape, even though it had been a dry summer. Mr. Brooks said that since water was being drawn from bedrock wells, there was a difference between that and surface water. He said that the biggest risk with the bedrock wells would be saltwater intrusion. He said that a study of the layout of the bedrock fractures would be helpful in determining the availability of water. Ms. Richard said that Anne Veeger from URI was carrying out a groundwater availability study on the island. Mr. Northby said that although the water from the old Indian Springs well was good to drink, its pH did not make it a good candidate for use in the distribution system.

Mr. Northby said that it was his understanding that the reason for a district was specifically for its ability to tax. Ms. Richard said that the language of the charter was relatively common but the moratorium on new connections made the situation on Prudence less clear than it would be in other districts.

Mr. Northby asked if system metering would take place if the district acquired the system. Ms. Richard said that metering would be required to meet the eligibility criteria for federal loan/grant programs. Dave Homan asked how metering would be paid for. Ms. Richard said

that the costs of metering are typically borne by the customer. Mr. Hanson said that the contaminants in the water will make metering problematic.

Recap: The district is committed to completing the acquisition if a funding mechanism can be found to pay the soft costs of acquisition. At this point, a tax levy might be problematic due to the moratorium, which denies new service connections to some landowners within the district. The district will investigate the possibility of a bond issue to defray those costs.

Correspondence: No correspondence.

Meeting adjourned at 2:30 p.m.

Patricia Richard, Clerk